

Fiscal Note

Fiscal Services Division



HF 2030 – School District Unexpended Balances (LSB 5835HV)
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Fiscal Note Version – New
Requested by Representative J. Scott Raecker

CORRECTED

Description

House File 2030 modifies the membership and role of the School Budget Review Committee (SBRC). Modifications include:

- Makes the Director of the Department of Education an ex-officio, nonvoting member.
- Adds an additional member with school finance knowledge to be appointed by the Governor.
- Requires the SBRC to review unexpended fund balances prior to decisions regarding unusual financial circumstances.
- Requires the SBRC to review a school district's unspent balance prior to any decision to grant modified allowable growth requests.
- Requires the SBRC to determine if a school district's unexpended fund balance is an excessive amount necessary for operations, and if so, direct the school district to use the unexpended fund balance in lieu of levying property taxes.

Background

The unspent balance (also referred to as unspent authorized budget) is a school district's legal General Fund spending authority remaining at the end of a fiscal year. The unspent balance at the end of FY 2008 for all school districts totaled \$680.9 million. Of the 364 school districts, 345 (94.8%) had a positive unspent balance.

The unexpended fund balance is the General Fund financial resources available for expenditure after payment of accrued liabilities and recognition of accrued assets and is a measure of available, expendable financial resources. The undesignated/unreserved fund balance removes funds that have been reserved or designated from the total unexpended fund balance. In FY 2008, the undesignated/unreserved fund balance totaled \$331.1 million with 307 (84.3%) school districts with a positive balance and 57 (15.7%) school districts with a negative balance. Preliminary data indicate that the estimated FY 2009 undesignated/unreserved fund balance totals approximately \$318.6 million.

NOTE: Individual school district information is available from the LSA website at:

http://staffweb.legis.state.ia.us/lfb/docs/k-12_ed/CAR_FY2009_EndingFundBalUUBalExp_011310.pdf

Assumptions

The amount of unexpended fund balance to be used in lieu of property taxes will be based on decisions made by the SBRC including the determination of a district's amount of unexpended fund balance necessary for operations. Additionally, the SBRC examination of a school district's unexpended fund balance and unspent balance prior to granting modified allowable growth may impact the amount of modified allowable growth granted. However, the result of these decisions cannot be predicted in this estimate.

Fiscal Impact

No State General Fund impact is anticipated as a result of [HF 2030](#).

Although the use of unexpended fund balance in lieu of property taxes and consideration of a school district's unexpended fund balance and unspent balance prior to granting modified allowable growth may reduce the amount of the increase in local property taxes for a specific year, the overall property tax impact cannot be determined at this time.

Sources

Iowa Department of Management, School Aid file.

Iowa Department of Education, Preliminary FY 2009 Certified Annual Report (CAR) data (as of Jan. 10, 2010).

School Finance Interim Study Committee Presentation, School District Budget Issues Presentation, <http://www.legis.state.ia.us/Isadocs/IntComHand/2010/IHABK019.PDF>

LSA analysis and calculations.

/s/ Holly M. Lyons

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This fiscal note was prepared pursuant to [Joint Rule 17](#). Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
